

Message Text

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TO AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L STATE 045204

EXDIS

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: CHILE DEBT

REF: SANTIAGO 0936

1. DEPARTMENT APPRECIATES RECEIVING CONTENTS REFTEL AND REQUESTS EMBASSY CONTINUE KEEP IN CLOSE TOUCH WITH CHILEAN OFFICIALS HANDLING PARIS CLUB RESCHEDULING.

2. WE WISH TO BE AS HELPFUL AS POSSIBLE TO CHILEAN NEEDS SHORT OF SETTING NEW OR UNUSUAL PRECEDENTS WHICH WOULD AROUSE NEGATIVE REACTION IN PARIS CLUB AND OTHER CIRCLES. IN FUTURE DISCUSSIONS WITH SAEZ AND OTHER CHILEAN PRINCIPALS YOU SHOULD MAKE CLEAR IT IS NOT REPEAT NOT USG INTENTION TO SUGGEST WHAT GOC'S POSITION SHOULD BE, SPECIFICALLY WHETHER CHILEANS SHOULD INITIALLY ASK FOR 100 PERCENT RELIEF FROM PARIS CLUB. RATHER, OUR ABILITY TO BE HELPFUL IN CONSIDERABLE DEGREE WILL DEPEND ON A CLEAR
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UNDERSTANDING OF WHAT THE CHILEAN BOTTOM LINE IS AND WHAT

TACTICS SAEZ INTENDS TO UTILIZE AT PARIS TO OBTAIN HIS OBJECTIVES.

3. WE TEND TO AGREE WITH SAEZ' REPORTED INTENTION TO SEEK RESCHEDULING OF 1975 MATURITIES ONLY. WHETHER HE PRESENTS THAT POSITION AT THE OUTSET OR BARGAINS DOWN TO IT IS A QUESTION OF TACTICS WHICH WOULD BE USEFUL TO KNOW. REPORTED CHILEAN FORMULA FOR TYING REPAYMENTS TO OVERALL BALANCE OF PAYMENTS SITUATION LIKELY TO ENCOUNTER SERIOUS OPPOSITION BY PARIS CLUB MEMBERS. MOST CREDITORS ARE MORE LIKELY TO SUPPORT MORE RATHER THAN LESS GENEROUS RESCHEDULING TERMS IF GOC ACCEPTS ESCALATOR CLAUSE TIED TO POSSIBLE RISE IN TOTAL EXPORTS.

4. WE WOULD ALSO APPRECIATE KNOWING CHILEAN POSITION ON POSSIBLE CREDITOR CRITICISM OF PAYMENTS TO PRIVATE U.S. FIRMS RESULTING FROM SETTLEMENT OF COMPENSATION DISPUTES; 1975 MATURITIES WILL TOTAL APPROXIMATELY DOLS. 100 MILLION. SIMILAR QUESTIONS MAY ARISE IN PARIS AS TO WHETHER PAYMENTS TO IFIS AND LARGE LATIN AMERICAN CREDITORS SHOULD BE RESCHEDULED AS WELL. KISSINGER

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